

THIS AMENDMENT:		
_____ Passed _____	Passed as amended by _____	
_____ Failed _____	_____ Not Offered _____	_____ Withdrawn _____

GLEASON PROPOSED AMENDMENT # 1

DATE PREPARED: March 17, 2005

COMPANY: Arizona Public Service Company

DOCKET NO. E-01345A-03-0437

SPECIAL OPEN MEETING DATE: March 24 and 28, 2005 AGENDA ITEM: U-1

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Page 22, line 23, after “Commission.” insert “As defined in the Settlement Agreement,”

Line 26, after “generation.” insert a new paragraph to read:

“We generally agree that the self-build moratorium proposed in the Agreement is useful for addressing the potentially anti-competitive effects that may be associated with rate-basing the PWEC assets. However, to fully realize the benefits of the moratorium for that purpose, the moratorium should apply to the acquisition of a generating unit or interest in one from any merchant or utility generator, as well as to building new units. Accordingly, we will modify the definition of “self-build” to include the acquisition of a generating unit or interest in a generating unit from any merchant or utility generator. Consistent with the definition in the Settlement Agreement, “self-build” will not include the acquisition of temporary generation needed for system reliability, distributed generation of less than fifty MW per location, renewable resources, or up-rating of APS generation, which up-rating shall not include the installation of new units.

Similarly, we will require APS to obtain the Commission’s expressed approval for APS’ acquisition of any generating facility or interest in a generating facility pursuant to a RFP or other competitive solicitation¹ issued before January 1, 2015.”

Make all conforming changes.

¹ Competitive solicitation includes a RFP issued pursuant to Paragraph 78 of the Settlement Agreement or any solicitation issued by APS in using its Secondary Procurement Protocol pursuant to Paragraph 80 of the Settlement Agreement.